

Message Text

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43

ACTION INR-10

INFO OCT-01 EUR-25 EA-11 IO-13 ISO-00 AGR-20 CEA-02

CIAE-00 COME-00 DODE-00 EB-11 FRB-02 H-03 INT-08 L-03

LAB-06 NSAE-00 NSC-10 PA-03 RSC-01 AID-20 CIEP-02

SS-15 STR-08 TAR-02 TRSE-00 USIA-15 PRS-01 SPC-03

OMB-01 AF-10 ARA-16 NEA-10 XMB-07 DRC-01 /240 W
----- 072458

R 121401Z SEP 73

FM AMEMBASSY COPENHAGEN

TO SECSTATE WASHDC 7672

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

USMISSION EC BRUSSELS UNN

AMEMBASSY DUBLIN

USMISSION GENEVA

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY TOKYO

UNCLAS COPENHAGEN 2208

E.O. 11652 N/A

TAGS: ETRD GATT EC DA

SUBJ: TRANEGS: COMMENT BY EC COMMISSIONER GUNDELACH

BEGIN SUMMARY. EC COMMISSIONER GUNDELACH IN INTERVIEW
WITH COPENHAGEN FINANCILA DAILY BORSEN SEPTEMBER 11 OUTLINED EC
AND PERSONAL VIEWS ON POLICIES AND PROSPECTS FOR GATT MULTI-
LATERAL TRADE NEGOTIATIONS. INTERVIEW EMPHASIZED SIGNIFICANCE
OF NEGOTIATIONS AS EFFECTIVE CHECK ON PROTECTIONIST FORCES AND
REFLECTED MODERATE OPTIMISM ON PROSPECTS. END SUMMARY.

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1. EC COMMISSIONER GUNDELACH IN INTERVIEW WITH COPENHAGEN

INDEPENDENT FINANCIAL DAILY BORSEN SEPTEMBER 11 COMMENTED CANDIDLY ON PROSPECTS FOR MTN WHICH, THROUGHOUT, HE REFERRED TO AS "TOKYO ROUND". GUNDELACH SAID THAT HE PERSONALLY FAVORED DRASTIC REFORMS EVEN AT SERIOUS CONSEQUENCE FOR EC. HE PREFERRED, IN PRINCIPLE, COMPLETE ABOLITION OF CUSTOMS DUTIES AMONG GATT MEMBERS, BUT REALIZED THAT LACK OF POLITICAL WILL AND CONTINUED PROTECTION OF SPECIFIC INDUSTRIES WOULD PREVENT THIS. ALTERNATIVELY, HE BELIEVED THAT TARIFF REDUCTIONS IN MTN BY, FOR EXAMPLE, ONE-THIRD COULD PAVE THE ROAD FOR TOTAL TARIFF ABOLITION IN SUBSEQUENT ROUND.

2. GUNDELACH SAID THAT EC WOULD NOT NEGOTIATE QUANTITATIVE RESTRICTIONS IN THIS ROUND AS THEY WOULD PREFER UNILATERAL ABOLITION OF THEIR REMAINING FEW QRS WHICH MAINLY CONCERNED EASTERN TRADE. WITH RESPECT TO NEW BARRIERS ARISING FROM DIFFERING NATIONAL STANDARDS AND NORMS APPLIED TO CONSUMER GOODS, HE HOPED THAT NEGOTIATIONS WOULD PRODUCE HARMONIZATION OF PROCEDURES AND COMMON CRITERIA. HE ALSO EXPECTED THAT SOME TRADITIONAL BARRIERS MIGHT BE REMOVED DURING ROUND.

3. GUNDELACH OFFERED SOMEWHAT VAGUE COMMENTS REGARDING READJUSTMENTS NECESSITATED BY THE PROGRESSING INTERNATIONAL DIVISION OF LABOR, HE REFERRED TO SOCIAL PROBLEMS AND ADJUSTMENTS RESULTING FROM THE EXTENSIVE INTERNATIONAL TRADE AND CALLED FOR RULES TO ASSURE THAT THE TRANSITION TOOK PLACE IN A SOCIALLY FAIR MANNER.

4. GUNDELACH REFERRED TO STATEMENTS HE HAD MADE DURING HIS RECENT US VISIT TO THE EFFECT THAT THE TIME HAD COME WHEN IT WOULD BE POSSIBLE TO DISCUSS AGRICULTURAL PROBLEMS AND ADDED THAT RECENT DEBATE WITH US IN THIS AREA HAD MADE EC REALIZE THAT SUPPLY PROBLEMS MIGHT OCCUR. HE THEREFORE BELIEVED COMMODITY AGREEMENTS COULD NO LONGER BE AS CATEGORICALLY REJECTED AS BEFORE. HE THOUGHT THAT SUCH AGREEMENTS WERE NEEDED PRIMARILY IN GRAINS AND FEEDSTUFFS. SIGNIFICANCE OF EC AGRICULTURAL LEVIES WOULD BE LESSENED IF AGREEMENTS WERE REACHED TO KEEP PRICES FOR KEY PRODUCTS WITHIN STIPULATED LIMITS. THIS WOULD NOT MEAN A RADICAL CHANGE OF THE CAP, THE ELASTICITY OF WHICH WOULD PERMIT CONTINUED THROUGH ALTERED USE OF PRESENT PRICE MECHANISM.

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5. GUNDELACH EXPRESSED DISAPPOINTMENT WITH THE KENNEDY ROUND ACCOMPLISHMENTS IN PROMOTION OF LDC TRADE. HE STRESSED THE DIMINISHING IMPORTANCE OF PREFERENTIAL AGREEMENTS AS TARIFFS BECAME REDUCED, BUT CONCEDED THAT PREFERENCES, ON THE OTHER HAND, MUST NOT BECOME AN OBSTACLE TO TRADE DEVELOPMENT. REFERRING SPECIFICALLY TO US CRITICISM OF PREFERENCES, HE ALLEGED THAT THE COUNTRIES WHICH ENJOY EC PREFERENCES ARE AMONG THE LEAST DEVELOPED, HENCE THEIR PROBLEMS COULD NOT BE SOLVED BY

THE GSP. HE ADMITTED THAT THE EC REVERSE PREFERENCES CONSTITUTED A SPECIAL PROBLEM WHICH HE WOULD RATHER BE WITHOUT AND HOPED THAT ALTERNATIVES COULD BE FOUND. HE CRITICIZED, IN PARTICULAR, THE ARUSHA AGREEMENT WHICH HE SAID MUST BE BROUGHT INTO ACCORDANCE WITH GATT RULES. HE ADDED THAT HE WAS NOT IN GENERAL IMPRESSED WITH THE AMERICAN ARGUMENTS WHICH HE THOUGHT AIMED MAINLY AT OBTAINING CONCESSIONS FOR AMERICAN CITRUS EXPORTS. GUNDELACH THOUGHT THAT MTN SHOULD BE ABLE TO PRODUCE AGREEMENT ON PRICE GUARANTEES FOR IMPORTANT LDC RAW MATERIALS PRODUCTION.

6. WITH RESPECT TO BASIC NEGOTIATING PRINCIPLES, GUNDELACH CONSIDERED LINEAR REDUCTION THE ONLY SENSIBLE SOLUTION. HE NOTED, HOWEVER, SOME INTEREST IN TARIFF HARMONIZATION THROUGH CUTS IN PARTICULARLY HIGH TARIFFS BUT NOT IN UPWARD ADJUSTMENTS.

7. REFERRING TO WIDESPREAD ANXIETY THAT THE MTN MIGHT COLLAPSE WITH RESULTING RETURN TO PROTECTIONISM AND ISOLATIONISM, GUNDELACH EXPRESSED MODERATE OPTIMISM. HE THOUGHT THAT A CRITICAL POINT HAD BEEN PASSED, ALTHOUGH SMOOTH SAILING WAS NOT ASSURED. GUNDELACH THOUGHT THAT THE SIGNIFICANCE OF THE KENNEDY ROUND WAS MAINLY THAT IT TOOK PLACE, THEREBY ESTABLISHING A STANDSTILL FOR PROTECTIONISM. HE DID NOT BELIEVE THAT NEGOTIATIONS COULD BE COMPLETED BY 1975, BUT, ON THE OTHER HAND, DID NOT CONSIDER THIS PARTICULARLY IMPORTANT, SINCE ONGOING NEGOTIATIONS PER SE WOULD CONSTITUTE AN EFFECTIVE CONTROL OF PROTECTIONIST ELEMENTS.

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